

B.C. spawns world's first savings plan for people with disabilities

New RDSP could tap into a financial services and consumer spending market estimated at \$80 billion

Richard Chu

For years, Kathy Bromley and her family looked for ways to save for the future of their disabled daughter. But many of the options available were extremely limited.

“For us, it was a struggle to find a place to put away money for [Shannon] that would actually benefit her,” said Bromley. “If we put money in a savings plan for her, or if someone gave her money, as an adult, Shannon’s pension, which she qualifies for when she’s 19, would be clawed back until the other money was gone.

“With the registered disabilities saving plan, all that has changed.”

Since December, families of Canadians with disabilities have been able to open the world’s first registered disability savings plan (RDSP). It not only provides government grants and tax-sheltered investment growth, but also much needed flexibility for friends and relatives to help secure financial security for a person with a disability.

To date, more than 23,000 RDSPs have been opened across the country, with roughly a third of them in B.C. All have been made available so far from the Royal Bank, CIBC and BMO Bank of Montreal, which was the first bank to offer RDSPs. Representatives from Scotiabank and TD Canada Trust said their banks will be offering RDSPs by year’s end.

Al Etmanski, president of Planned Lifetime Advocacy Network (PLAN) and one of the original RDSP proponents, said the savings plan will potentially benefit more than 500,000 people with disabilities across Canada and roughly 50,000 in B.C. Anyone receiving the disability tax credit is eligible.

Over time, he said the RDSP could create an \$80 billion market for financial services and consumer spending from people with disabilities.

“It’s a market that was always there but no one was paying attention to, and now they are.”

Like a registered education savings plan, an RDSP allows funds to be invested tax-free until they’re withdrawn. Anyone wishing to support the person with a disability can contribute to his or her RDSP, which has a lifetime contribution limit of \$200,000 and no annual contribution limits.

For families whose annual income is less than \$77,664, the federal government also provides a disability savings grant of \$3 a year for every \$1 on the first \$500 and \$2 for every \$1 contributed on the next \$1,000. Families with incomes above that limit will receive \$1 for each \$1 contribution up to \$1,000. Families with income of \$21,816 or less will receive a \$1,000 disability savings bond per year, up to \$20,000 until the RDSP beneficiary turns 49, even if they don’t make any contribution to the beneficiary’s RDSP.

“There is an audible sigh of relief that there is one more tool in place for families,” said Susan Whittaker, chairwoman of PLAN, a non-profit charity that, for the past 20 years, has focused on supporting the families of people with disabilities. She noted the RDSP doesn’t restrict how funds can be used for the beneficiary. The assets accumulated within an RDSP also do not affect a disabled person’s government benefits or pensions. Currently, most income assistance is clawed back from a person with a disability whose financial assets are at a certain level. But that amount is extremely small, which forces people with disabilities to live under the poverty level.

“My daughter requires 24-hour care. She’s physically very active, but she’s not able to manage on her own at all, and I don’t understand why our children should have to live at the poverty level. [The RDSP] is a huge step forward.”

It’s taken Etmanski, his wife, Vickie Cammack, and a team of people at PLAN about a decade to turn the idea of a savings plan for disabled people into reality. Originally, they had devised an ambitious three-part program to secure the social and financial security of a person with a disability. But business leaders they spoke to suggested they initially focus on one idea.

They zeroed in on the disability savings plan.

In the past five years, Etmanski and Cammack gained support for the RDSP across the political spectrum and financial and community support from the Law Foundation of B.C., Vancity, the premier’s office and the Vancouver Foundation.

“We presented this as a non-partisan issue all the way along. We worked with the banks, the credit unions; we translated all our materials in French so we’d get Bloc [Québécois] support,” said Etmanski. “It was almost like we had our own social network we built around the RDSP campaign in the same way we build a social network around a person.”

Etmanski said the goal now is to build awareness about the RDSP across Canada. Roughly 10,000 copies of Safe and Secure, which was co-written with Jack Collins, have been distributed through London Drugs stores across Western Canada.

Last month, the federal government launched a national campaign to build RDSP awareness.

In the fall, the Vancouver Foundation, with a \$5 million grant from the provincial government, will launch an Endowment 150 program aimed at encouraging up to 30,000 people with disabilities on income assistance to open an RDSP.

For 16-year-old Shannon Bromley, the RDSP will mean that she’ll have more savings to help her live a full and active life. For her parents and older brother, it provides peace of mind.

“Knowing Shannon will be financially secure as she gets older takes a huge burden off our shoulders. It means so much to families like ours.” •

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